

Message Text

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PAGE 01 STATE 072733

72

ORIGIN EA-10

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FM SECSTATE WASHDC

TO AMEMBASSY MANILA PRIORITY

INFO USLO PEKING

AMCONSUL HONG KONG

AMEMBASSY TAIPEI

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E.O. 11652: N/A

TAGS: ETRD, CH, US

SUBJECT: APCAC MEETING--GEBER PARTICIPATION

MANILA FOR GEBER.

1. AGENDA FOR APCAC CONFERENCE AVAILABLE IN WASHINGTON INDICATES THAT PRC-RELATED TRADE ISSUES WILL BE AN IMPORTANT TOPIC OF DISCUSSION. FOLLOWING MATERIAL, IN Q AND A FORMAT, IS PROVIDED FOR YOUR GUIDANCE.

2. Q - WHAT ARE THE PROSPECTS FOR EXTENSION OF MFN

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PAGE 02 STATE 072733

TARIFF TREATMENT TO THE PRC NOW THAT THE TRADE ACT IS

PASSED?

A - FIRST, I SHOULD NOTE THAT, ON THE IMPORT SIDE, OTHER THAN THE LACK OF MFN TREATMENT, THE PRC IS TREATED IN ESSENTIALLY THE SAME WAY AS ANY OTHER TRADING PARTNER. UNTIL PASSAGE OF THE TRADE ACT OF 1974, WE HAD NO AUTHORITY TO TAKE THIS STEP WITH THE PRC AND OTHER COMMUNIST COUNTRIES THAT DO NOT NOW HAVE MFN STATUS. ALTHOUGH THE CHINESE HAVE FROM TIME TO TIME INDICATED TO AMERICAN BUSINESSMEN AND OTHERS A GENERAL INTEREST IN MFN, WE ARE NOT AWARE THAT THEY DESIRE TO START EARLY NEGOTIATIONS. MOREOVER, AS MANY OF YOU DOUBTLESS KNOW, THE TRADE

ACT AS PASSED BY CONGRESS PLACES A NUMBER OF CONDITIONS ON MFN EXTENSION, SOME OF WHICH COULD PRESENT PROBLEMS IN THE PRC CASE. HOWEVER, WE WILL BE PREPARED AT THE APPROPRIATE TIME TO EXPLORE THE MATTER WITH THE PRC. AT THE SAME TIME, IT IS ONLY REALISTIC TO NOTE THAT MFN WILL NOT, IN ITSELF, RESULT IN A DRAMATIC CHANGE IN THE LEVEL OF CHINESE SALES TO THE US (OR US EXPORTS TO PRC).

3. Q - YOU MENTIONED THAT THE TRADE ACT CONTAINS CERTAIN CONDITIONS FOR EXTENDING MFN TO THE PRC. WHAT WERE YOU REFERRING TO?

A - THERE ARE NO CONDITIONS SPECIFICALLY DIRECTED AT THE PRC. HOWEVER, THREE SECTIONS OF THE ACT ARE PARTICULARLY RELEVANT. ONE SECTION PROVIDES THAT MFN CAN BE EXTENDED ONLY BY AN INTER-GOVERNMENTAL TRADE AGREEMENT, SUBJECT TO CONGRESSIONAL REVIEW, WHICH MUST INCLUDE A NUMBER OF SPECIFIC PROVISIONS DESIGNED TO FACILITATE TRADE (THESE ARE SOMETIMES CALLED "COMPARABLE BENEFITS"). EVEN IF THE PRC WERE WILLING TO CONCLUDE SUCH A TRADE AGREEMENT, NEGOTIATING THE DETAILS COULD BE DIFFICULT. ANOTHER SECTION CONTAINS WHAT IS GENERALLY KNOWN AS THE JACKSON-VANIK AMENDMENT, REGARDING FREEDOM OF EMIGRATION. ALTHOUGH THAT PROVISION WAS DIRECTED PRIMARILY AT THE SOVIET UNION, THERE IS NOTHING IN THE ACT THAT WOULD MAKE THE PRC EXEMPT FROM THE PROVISION. A THIRD SECTION HAS WHAT CAN BE CALLED A "REUNITING OF FAMILIES" LIMITED OFFICIAL USE

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PAGE 03 STATE 072733

CLAUSE, DESIGNED TO ENCOURAGE COUNTRIES TO WHICH MFN IS BEING EXTENDED TO PERMIT PERSONS TO LEAVE THE COUNTRY IN ORDER TO JOIN THEIR CLOSE RELATIVES IN THE US.

4. Q - WHAT ARE THE PROSPECTS FOR CHINA RECEIVING MFN

IN SOME OTHER WAY--FOR EXAMPLE, BY SPECIAL BILL?

A - CONFERRING MFN ON THE PRC WITHOUT ANY RECIPROCAL CONCESSIONS--ALONG THE LINES OF THE BILL INTRODUCED LAST YEAR BY SENATOR MANSFIELD--IS, I SUPPOSE, ONE LINE OF APPROACH. SINGLING OUT THE PRC IN THIS WAY AS A SPECIAL CASE WOULD, HOWEVER, CREATE SOME DIFFICULT PROBLEMS, PARTICULARLY VIS-A-VIS OTHER COUNTRIES.

5. Q - CAN YOU GIVE US ANY IDEA AT ALL ABOUT THE TIME FRAME FOR A POSSIBLE SWITCH OF US RECOGNITION FROM TAIPEI TO PEKING? ISN'T IT UNLIKELY THAT PRESIDENT FORD WOULD MAKE A VISIT TO THE PRC WITHOUT SOMETHING NEW TO OFFER ON THE RECOGNITION QUESTION?

A - FOR OBVIOUS REASONS, IT IS IMPOSSIBLE FOR ME TO ANSWER YOUR QUESTION. I CAN SAY THAT THERE WAS NO COMMITMENT ON EITHER SIDE CONCERNING WHAT WOULD RESULT FROM THE PRESIDENT'S TRIP TO CHINA THIS YEAR.

6. YOU SHOULD DECLINE TO ELABORATE ON ANSWER IN PARA. 5, INCLUDING THE "TAIWAN PROBLEM", ON THE GROUNDS THAT IT IS OUTSIDE YOUR AREA OF RESPONSIBILITY. KISSINGER

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